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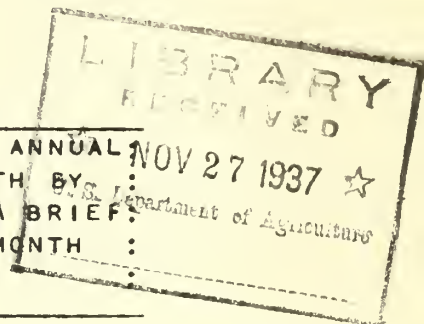
UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON

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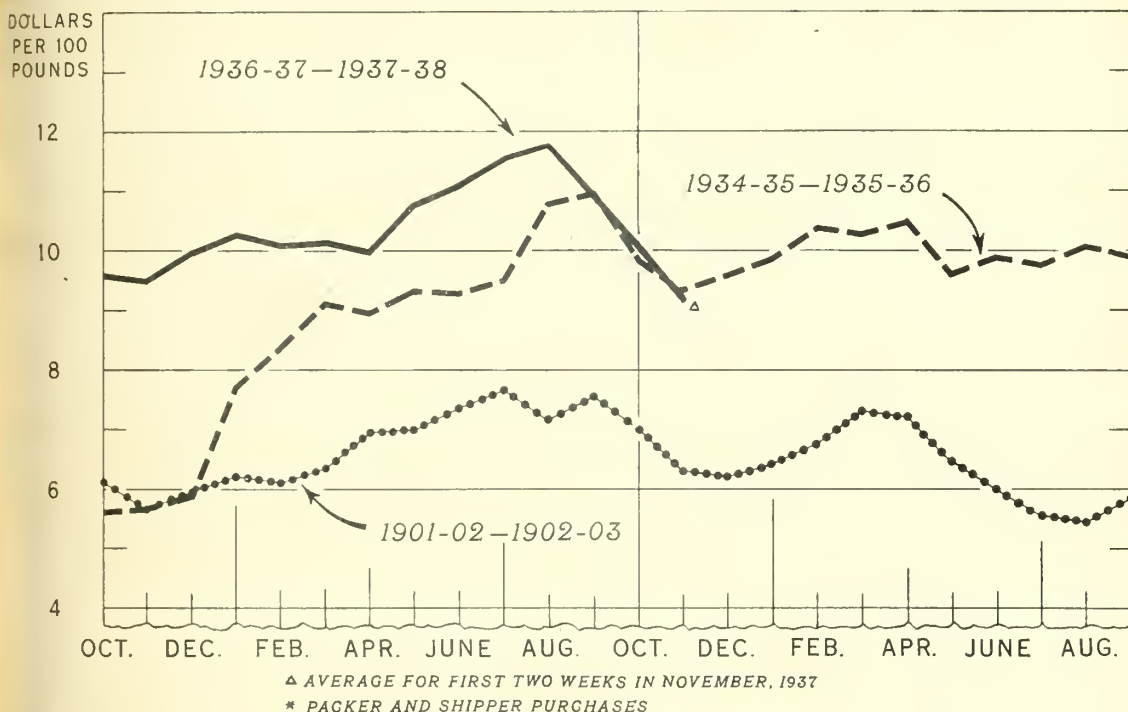
NOVEMBER 19, 1937

THE HOG SITUATION

: THIS ISSUE CONSISTS OF THE REGULAR ANNUAL
: OUTLOOK REPORT ON HOGS, ISSUED THIS MONTH BY :
: THE BUREAU OF AGRICULTURAL ECONOMICS. A BRIEF :
: REVIEW OF DEVELOPMENTS DURING THE PAST MONTH :
: IS ALSO INCLUDED.



HOGS*: AVERAGE PRICE AT CHICAGO, OCTOBER 1901-
SEPTEMBER 1903, AND OCTOBER 1934 TO DATE



IN THE FIRST YEAR IMMEDIATELY FOLLOWING THE SHORT CORN CROPS OF 1901, 1934, AND 1936, HOG PRICES ROSE SHARPLY IN RESPONSE TO REDUCED HOG MARKETINGS AND REACHED THEIR HIGHEST LEVEL OF THE YEAR DURING THE SUMMER MONTHS. IN THE SECOND YEAR FOLLOWING THE SHORT CORN CROPS OF 1901 AND 1934 THE LEVEL OF HOG PRICES WAS LOWER THAN THAT OF THE FIRST YEAR.

REVIEW OF RECENT DEVELOPMENTS

Hog prices decline sharply in October

After some weakness in early October, hog prices declined sharply during the last half of that month. Prices strengthened slightly during the first week in November, but declined further during the second week when the average price of hogs at Chicago was slightly less than \$9. In mid-August when hog prices were at the highest level for several years the Chicago weekly average was \$12.37. At the peak in August, hog prices were more than \$2 higher than a year earlier, whereas by mid-November they were about 50 cents lower. The marked decline in hog prices in the last 2 months may be attributed partly to the greater than usual increase in slaughter supplies and partly to the weakness in storage demand and consumer demand for hog products.

Wholesale prices of fresh pork have declined sharply since mid-August. Prices of light loins (8-10 pounds) at Chicago averaged about \$20.70 per 100 pounds the first week in November; which was about \$10 lower than mid-August. The decline in prices of cured pork the last 2 months has been only moderate. In early November, prices of most hog products, except lard, were somewhat higher than a year earlier.

In recent months lard prices have been adversely affected by the prospective large production of cottonseed oil. The 1937 production of lint cotton is estimated to be the largest on record and the production of cottonseed oil from cottonseed produced in 1937 also will be of record proportions.

Drop in prices the result of larger supplies and weaker demand

An important factor in the recent market decline in prices of hogs and hog products has been the larger than usual increase in hog slaughter. Inspected hog slaughter in October, totaling 2,711,000 head, was 33 percent larger than in September, but it was 22 percent smaller than in October last year. Slaughter in October this year was 65 percent larger than that of August, whereas the average increase from August to October over a period of years is not more than 35 percent.

In the fall of 1936 the seasonal increase of slaughter supplies of hogs also was large, but the decline in hog prices from mid-August to early November 1936, was only about 50 cents per 100 pounds. Last fall, however, there was a strong storage demand for hog products as prospects then were for a marked reduction in supplies later in the 1936-37 marketing year. Prices paid for hogs were based partly upon prospects for higher prices for hog products later in the year. In the present marketing year it is expected that supplies will be relatively large in the last half of the year. Hence the demand for hog products for storage has been weak.

Hogs apparently are now being purchased more nearly on the basis of current prices for hog products, rather than on the basis of anticipated higher prices later in the season as was the case last fall. Still another difference between the situation this year and last is that industrial activity in 1936 was increasing and business sentiment generally was optimistic. In contrast, for the past 2 or 3 months industrial activity has been reduced and business sentiment is less favorable than a year earlier.

As indicated in the annual hog outlook report, which is attached, it seems probable that a considerable part of the autumn decline in hog prices has already occurred. It is not expected that the increase in supplies of hogs from October through December will be as large as it usually is during this season of the year. Consequently, further declines in hog prices in the present winter season probably will be small, unless further weakening in demand is greater than now anticipated.

Hog-corn price ratio favors hog feeding

Despite the sharp decline in hog prices in recent weeks, the price of hogs is relatively high compared with prices of corn. The hog-corn price ratio in early November, based on Chicago prices of hogs and corn, was over 16 compared with about 9 a year earlier and with a long-time average of 11.4. On the basis of present and prospective prices of hogs and corn, the returns from feeding corn to hogs this year will be considerably greater than from selling corn for cash.

According to the November 1 crop report, the preliminary estimate of corn production for 1937 is 2,652,000,000 bushels, which is nearly 75 percent larger than the small crop of 1936 and is largest crop since 1932. Corn production in 1937 is above average in most important producing States, except Nebraska, Kansas, Missouri, and South Dakota.

Storage holdings of pork and lard on November 1, average 1930-34 and annual 1935-37, and October 1, 1937

Item	: Nov. 1 : : average : : 1930-34 :	: Nov. 1, : : 1935 :	: Nov. 1, : : 1936 :	: Oct. 1, : : 1937 :	: Nov. 1, : : 1937 : : 1/ :
	: 1,000 : pounds	: 1,000 : pounds	: 1,000 : pounds	: 1,000 : pounds	: 1,000 : pounds
Pork:					
Frozen	75,442	37,693	75,280	54,922	47,961
Dry salt, cured and:					
in process of cure:	66,239	28,641	42,849	47,088	38,920
Pickled, cured and :					
in process of cure:	292,128	174,329	236,321	180,524	179,076
Total	433,809	240,663	354,950	282,534	265,957
Lard	69,920	40,702	94,748	72,614	39,421

1/ Preliminary.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct. - Sept.							
		Sept. 1936	Aug. 1937	Sept. 1937	Average: 1928-29 to 1932-33	1934- 35	1935- 36	1936- 37	
Inspected slaughter <u>1/</u>	thousands	2,403	1,590	2,033	46,363	30,680	31,022	34,142	
Live weight:									
Average	pound	224	238	232	231	220	232	221	
Total.....	mil.lb.	537	378	472	10,723	6,742	7,191	7,538	
Dressed weight:									
Average	pound	165	173	168	175	164	175	164	
Total.....	mil.lb.	396	275	341	8,069	5,012	5,402	5,586	
Yield of lard per 100 :									
pounds live weight :									
of hogs.....	pound	11.1	9.4	9.2	15.2	11.6	12.1	10.9	
Production of lard.....	mil.lb.	60	35	44	1,630	790	870	833	
Apparent consumption- :									
Pork,incl., lard.....	mil.lb.	456	408	464	7,171	5,102	5,124	5,602	
Lard	" "	61	67	79	961	730	712	757	
Exports <u>2/</u> :									
Pork.....	" "	4	5	3	211	104	69	59	
Lard	" "	8	7	10	657	142	101	107	
Imports of pork <u>2/</u> :	" "	4	7	6	6	7	32	72	
Proportion of sows in :									
inspected slaughter <u>3/</u> percent		59.3	58.1	56.4	51.2	51.3	52.0	51.1	

1/ Bureau of Animal Industry.

2/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

3/ Includes gilts.

Prices of hogs and hog products, specified periods

Item	Unit	Oct. - Sept.						
		Oct.	Sept.	Oct.	Average			
		1936	1937	1937	1928-29	1934-	1935-	1936-
					to	35	36	37
					1932-33			
		:dolls. :						
Average price:		:per 100:						
Seven markets	pounds	9.27	11.10	9.81	<u>1/</u>	8.18	9.64	10.28
Chicago	"	9.55	11.37	10.03	6.99	8.42	9.90	10.49
U. S. average price	:	:	:	:	:	:	:	:
received by farmers.....	"	9.17	10.55	9.78	6.48	7.54	9.15	9.66
Prices of hog products,	:	:	:	:	:	:	:	:
Chicago:	:	:	:	:	:	:	:	:
Loins, 8 - 10 lb.	"	19.65	26.56	21.68	17.07	20.08	21.21	22.29
Hams, smoked reg. No.1,	:	:	:	:	:	:	:	:
10 - 12 lb.	"	24.19	27.75	25.75	20.31	21.62	26.58	24.65
Bacon, smoked, No. 1	:	:	:	:	:	:	:	:
dry cured, 6 - 8 lb.	"	27.34	33.95	32.50	23.71	28.24	30.86	28.58
Lard, refined, H.W.	:	:	:	:	:	:	:	:
tubs.....	"	12.41	13.05	12.00	9.68	14.29	12.65	13.13
Composite wholesale price	:	:	:	:	:	:	:	:
of hog products, New York:	"	20.90	23.89	22.63	17.36	20.49	21.93	21.40
Average price of No. 3	Cents :	:	:	:	:	:	:	:
Yellow corn, Chicago.....	per lb.	107	106	66	62	86	74	115
Hog-corn price ratio <u>2/-</u>	:	:	:	:	:	:	:	:
Chicago	bushel:	9.0	10.7	15.2	11.6	9.9	14.1	9.2
North Central States....	"	9.6	11.8	19.3	12.9	10.0	15.8	9.5
Proportion of packing sows:	:	:	:	:	:	:	:	:
in total packer and	:	:	:	:	:	:	:	:
shipper purchases, seven	:	:	:	:	:	:	:	:
markets <u>3/</u>	percent:	13.0	29.0	16.0	<u>1/</u>	<u>1/</u>	16.0	15.0
Average weight at seven	:	:	:	:	:	:	:	:
markets.....	pound	212	248	234	<u>1/</u>	229	241	231

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE HOG OUTLOOK FOR 1938

(Issued November 5)

Summary

The number of hogs slaughtered in the 1937-38 marketing year, which began October 1, probably will be somewhat smaller than in 1936-37 but larger than in either 1934-35 or 1935-36. Average weights this year are expected to be heavier than in 1936-37 when they were below average because of feed scarcity. The increase in average weights will largely offset the reduction in numbers slaughtered, hence total supplies of hog products in the current year probably will be about as large as a year earlier. Seasonal changes in hog marketings through the year in 1937-38 will be much different from those in 1936-37, when the feed shortage resulted in heavy marketings in the first half of the year and very light marketings in the second half.

Domestic demand for hog products, including both consumer demand and storage demand, in this country in the 1937-38 marketing year probably will be less favorable than in 1936-37. Little improvement in export demand for United States hog products is expected. Hog prices in 1937-38, therefore, are expected to average lower than in 1936-37.

Seasonal price movements will be somewhat different this year from last, since the average price for the second half of the current year is not expected to show as great an increase over that of the first half as it did in 1936-37.

The number of pigs raised in 1938 will be considerably larger than in 1937, but this increase will not be reflected in larger slaughter until late 1938 and 1939. In the Western Corn Belt, where hog numbers have been sharply reduced since 1933, the expansion in production next year will be only moderate, for corn production in 1937 in the Corn Belt States west of Missouri River was curtailed by drought. If feed-grain production in 1938 and 1939 should be about average, a further increase in hog production will occur. But even with favorable crop years, the number of pigs raised will not reach a level equal to 1929-33 average before 1940.

If by 1941 hog slaughter should about equal the 1929-33 average and domestic demand for hogs should be about as favorable as in 1937, hog prices would be materially lower than in 1937 but not as low as in 1932 and 1933 when consumer income was greatly reduced and hog slaughter was about average in volume.

Domestic Supplies

The number of hogs slaughtered under Federal inspection in the present marketing year, (October 1, 1937 to September 30, 1938) is expected to be somewhat smaller than the 34 million head slaughtered in the 1936-37 marketing year, somewhat larger than the slaughter in 1934-35 and 1935-36 (which was about 31 million head), and much below the slaughter in the 10 years 1924-25 to 1933-34, that ranged from 41 million and 49 million head.

The spring pig crop of 1937, estimated at 33,779,000 head, was about 3 million head smaller than the 1936 spring crop, about 6 million head larger than the 1935 spring crop, and about 1 million head smaller than the 1934 spring crop. Except for that in 1935 it was the smallest in many years. Compared with 1936, nearly all of the reductions were in the West North Central States, reflecting the short corn production in 1936 in that area.

1937 Fall Pig Crop expected to be smaller than that of 1936

The fall pig crop of 1937 is expected to be somewhat smaller than that of 1936 and about the same as that of 1935. The number of sows to farrow in the fall season of 1937 was indicated by the June Pig Report to be about 3 percent smaller than the number farrowed in the fall of 1936. Developments since this report was issued have not been such as to point to any considerable change from what was indicated by breeding intentions reported in June. Although hog prices reached the highest level since 1926 during the summer, the hog-corn price ratio continued below average for the season. Because of drought and high temperatures in August, corn production in the area from Oklahoma to South Dakota will again be very short. It now hardly seems probable that the increase in fall farrowings indicated for this area in the June report will be realized. Although corn production will be above average in the central and eastern Corn Belt, any tendency for fall farrowings to be larger than indicated in June is not expected to more than offset probable decreases from the June indications in the drought area.

If the number of sows farrowed during the present fall farrowing season should be about as indicated in June, the fall pig crop will be about 1 million head smaller than that of 1936, assuming an average number of pigs per litter equal to that of the fall of 1936, and the total 1937 pig crop, spring and fall, will be about 4 million head smaller than in 1936. Nearly all of this reduction will be in the Corn Belt and adjacent States that furnish most of the commercial supply of hogs. Most of the reduction in the Corn Belt will be in the area west of the Mississippi River.

Smaller Hog Slaughter in 1937-38 than in 1936-37 expected

Hog slaughter under Federal inspection in the 1937-38 marketing year is not expected to show a reduction as large as the indicated reduction in the pig crop of 1937. This situation arises partly because of the effects of last year's drought on the distribution of the 1936 pig crop as reflected in slaughter during the 1935-36 and 1936-37 marketing years. Slaughter in 1935-36 was large in relation to the 1935 pig crop because of the liquidation of hogs and pigs from the drought area during the last 3 months (July to September) of that year. Slaughter in 1936-37 was small in relation to the 1936 pig crop. This resulted in part because of heavy marketings of hogs and pigs in the last 3 months of the 1935-36 marketing year which normally would have gone to market in the early part of the 1936-37 year. Slaughter in 1936-37 also was reduced because of the small marketings of 1937 pigs in that year and because of the carry-over of other hogs into 1937-38 that normally would have been marketed earlier. Present information indicates that inspected slaughter in 1937-38 will be from 32 to 33 million head.

The seasonal distribution of hogs slaughtered in the 1937-38 marketing year will be much different from that in 1936-37 and fairly similar to that of 1935-36 and other years, when feed supplies were large relative to hog supplies and the hog-corn price ratio was favorable for feeding hogs to heavy weights. The number of hogs marketed in the 3 months, October to December 1937, will be much smaller than a year earlier and will represent a relatively small proportion of the total for both the first 6 months of the marketing year and the whole marketing year. The total inspected slaughter for these 3 months, however, probably will exceed the small total of 7,400,000 head during the corresponding period in 1935.

Slaughter from January to March is expected to exceed materially that from October to December, whereas in most years it is about the same. The fall pig crop of 1937 also will be marketed later than usual and much later than the fall crop of 1936. This will cause marketings from May through July 1938, to be considerably larger than a year earlier.

Average weights of hogs will be heavier

The average weight of hogs slaughtered in the marketing year 1937-38 will be heavier than in 1936-37, with the greatest difference in the first 4 or 5 months of the year. The average for the year probably will range from 230 to 235 pounds compared with 220 pounds in 1936-37 and 232 pounds in 1935-36. The heavier average weights in prospect will about offset the expected decrease in the number of hogs slaughtered, and the total live weight of hogs slaughtered in 1937-38 probably will be little different from that of 1936-37.

Storage Supplies

The storage demand for hog products was unusually strong during the late fall and early winter of 1936-37. The increase in storage stocks from November to March was much greater than average, and the proportion of the total volume of the winter hog production going into storage was relatively large. On November 1, 1936, the beginning of the storage season, stocks of pork and lard were much below average, but by March 1, 1937 they were above average and were much larger than on the corresponding date of either 1935 or 1936. The strong storage demand and the large storage accumulations last winter apparently resulted partly from the expectation that during the last half of 1936-37, supplies of hogs would be small in relation to those of the first half of the year and that prices of hogs and hog products would advance materially during the spring and summer of 1937.

Storage stocks reduced in the summer of 1937

The marked reduction in slaughter supplies of hogs from May through August 1937 was accompanied by a material decrease in stocks of both pork and lard. A decrease in stocks of pork usually occurs during the summer, but lard stocks normally increase until August. At the beginning of October, stocks of pork were less than half as large as on March 1, and they were the second smallest for that date on record. Lard stocks on October 1 were below average and were about 29 percent smaller than a year earlier, whereas on March 1 they were more than twice as large as those of a year earlier.

Weaker storage demand expected in 1937-38

The storage situation in 1937-38 probably will be much different from that of last year. Since it is expected that hog slaughter in the last half of the marketing year will represent a relatively large proportion of the yearly total a marked rise in hog prices in the late spring and summer of 1938 is improbable. Consequently, the storage demand for hog products in the 1937-38 winter season probably will not be so strong as in the corresponding period of 1936-37.

With relatively small slaughter supplies of hogs in prospect for the first 3 months of the 1937-38 marketing year, the accumulation of hog products in storage probably will be relatively small for the period and much smaller than last year. Although the quantity of hog products placed in storage during the second quarter of the marketing year (January - March) probably will be larger than during the first quarter, total storage accumulations for the entire winter season are expected to be relatively small. Consequently, stocks at the beginning of the second half of the marketing year, April 1, 1938, probably will be materially smaller than the large storage holdings on April 1, 1937. These small stocks on hand in the late spring and summer will partly offset the prospective increase in slaughter supplies of hogs in the coming summer over a year earlier.

Storage holdings of pork and lard, specified periods

Date	: 5-year average:							
	: 1929-30 to :		1934-35		: 1935-36		: 1936-37	
	: 1933-34 :							
	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard
	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000
	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds
Nov. 1	: 431,192	68,735	504,737	105,519	240,663	40,702	354,950	94,748
Jan. 1	: 565,206	71,671	687,563	118,107	326,777	52,713	666,891	145,609
Mar. 1	: 758,930	102,796	666,598	110,197	451,413	78,725	775,688	202,476
July 1	: 713,460	149,526	445,307	84,680	435,130	106,774	576,424	185,124
Oct. 1	: 530,300	109,087	277,605	45,350	361,608	101,796	1/283,287	1/72,535

1/ Preliminary.

Exports and Imports of Hog Products

Exports of hog products thus far in 1937 have continued near the low level of 1936 and have been much smaller than the exports of all post-war years prior to 1935. Exports of pork and lard decreased materially from 1925 to 1933, chiefly because of increased hog production in Europe and restrictions placed on imports in several foreign countries. A further marked reduction in exports occurred in 1934 and 1935 as a result of short supplies and relatively high prices of hogs and hog products in this country. In the years 1925-29 the average annual exports of hog products were roughly equivalent to the products obtainable from about 7 million hogs of average market weight, or about 15 percent of the average number of hogs slaughtered under Federal inspection during that period. In 1936 exports were equivalent to only about 1 million hogs, or about 3 percent of the inspected hog slaughter.

Exports, imports, and production of pork and lard, averages
1921-25 and 1926-30, annual 1931-36

Year	Exports <u>1/</u>	Imports of pork <u>2/</u>	Production	Exports as a percent of production	Imports of pork as a percentage of total domestic consumption			
	Million pounds	Million pounds	Million pounds	Percent	Percent			
Average								
1921-25	783	896	7.4	8,520	2,367	9.2	37.8	0.1
1926-30	381	759	21.1	8,540	2,297	4.5	33.0	0.3
1931	224	601	4.6	8,691	2,271	2.6	26.5	0.06
1932	175	576	5.9	8,863	2,342	2.0	24.6	0.07
1933	302	612	3.1	9,093	2,441	2.3	25.1	0.03
1934	211	458	1.8	8,367	2,063	2.5	22.2	0.02
1935	136	116	11.0	5,856	1,259	2.3	9.3	0.18
1936	118	137	42.1	7,454	1,661	1.6	8.2	0.60

U.S. Department of Commerce. Includes shipments to noncontiguous territories. Pork converted to a dressed weight basis.

2/ U.S. Department of Commerce. Tentative, subject to revision.

Decrease in European hog production in prospect

During recent months decreases have been reported in hog numbers in most European countries, and it is expected that hog slaughter in Europe in 1938 will be less than in 1937. The reduction in numbers in the exporting countries of northern Europe has resulted partly from the necessity for conforming with requirements of the British import quotas and partly from the smaller supplies and higher prices of feeds. In the exporting countries of southeastern Europe, hog numbers have not been reduced, but the inability of those countries to absorb a large volume of industrial goods offered in exchange for lard and pork shipped to central European countries has tended to limit production to some extent.

Import restrictions in European Countries

Since late 1932 imports of pork from non-British Empire countries into Great Britain have been limited by import quotas. It is not yet certain whether the British quota system will be continued or replaced by a system of import duties. For a number of years Great Britain has been the chief outlet for exports of pork from the United States, but in the last 2 years exports from this country have not been sufficiently large to fill the import quota allocated to the United States.

Restrictions have also been placed on imports of lard in some foreign countries. Imports of lard from the United States have been practically excluded from Germany, formerly the second largest export outlet for American lard. In Great Britain, the leading export outlet for such lard, no restrictions have been placed on imports, except a small duty levied in 1932. In Cuba, import duties on lard were increased materially before 1933, but under the provisions of the Cuban trade agreement, the import duty on American lard in Cuba has been lowered twice, once in 1934 and again in 1936. Since the Cuban duty was reduced, exports of lard from this country to Cuba have increased considerably, and Cuba is now the second most important outlet for the reduced exports of United States lard.

Exports of pork and lard to continue small in 1937-38

Despite the decrease in European hog production in prospect, it is expected that exports of pork and lard from the United States during the present marketing year will continue small, for hog slaughter in this country will not be greatly different from that of last year. In the next few years, as hog production in this country increases, it is probable that exports of pork and lard also will increase, but even if domestic hog slaughter increases to the level prevailing in the years 1930-34, exports may not increase to the average volume for the 1930-34 period.

The restrictions on imports of pork into Great Britain from non-Empire countries have been accompanied by a material increase in exports from Canada to Great Britain and by some increase in production in Great Britain. At present there is no indication that Germany or other continental European countries will be disposed to liberalize import restrictions on American lard. A material increase in exports of lard to Great Britain is probable when larger domestic supplies are available but the use of vegetable and mine oils in that country has expanded considerably in the last 3 years to replace the large volume of American lard formerly imported. Consequently, with the return of hog production in the United States to more normal levels in the next 3 or 4 years, it may be that foreign markets for pork and lard will have become fairly well accustomed to the absence of American products. Some difficulty may be encountered, therefore, in expanding the United States export trade.

United States imports of pork increase in 1937

Imports of pork thus far in 1937 have been considerably larger than in other post-war years. But they continue to be very small in relation to domestic production. In 1937, probably for the first time on record, imports of pork will exceed exports of that product. For the period January through August 1937, the combined imports of pork and live hogs were equivalent to about 522,000 hogs of average market weight. Inspected hog slaughter in the United States during this period totaled 19,645,000 head. Since total imports of hogs and pork thus far in 1937 were equivalent to only about 3 percent of inspected slaughter in this country, it is evident that prices of hogs in the United States have not been affected appreciably by the increase in imports.

The increase in pork imports in the present year has been largely in shipments of canned hams, mostly from Poland, but to a lesser extent from other European countries. The principal reason for the increase in pork imports has been the greater advance in the price of hogs and hog products in the last 3 or 4 years in this country than in foreign countries. As a result prices in the United States are now somewhat higher than prices in some foreign countries, whereas in most years before 1935 they were somewhat lower.

Imports of pork not likely to become large

Europe, as a whole, generally produces a smaller quantity of hog products than is needed for European consumption requirements. The increase in hog production in Europe during recent years, however, has reduced materially the need of European countries for imported pork. On the other hand, fat production in Europe is still considerably short of European needs for fat. In view of these considerations, it seems improbable that exports of pork from European countries to the United States will ever become large, despite the recent increase in imports of hams from Poland. Furthermore, if feed-crop production in the United States continues near the 1937 level in the next few years, hog production will increase greatly. Under such conditions a considerable decrease in imports of pork will occur.

Prices

Hog prices in the 1936-37 marketing year followed a course somewhat different from the usual seasonal pattern. Instead of declining from October through December as they usually do, prices were fairly steady in most of this period, and they advanced moderately in late December and early January. The relative strength in prices during the period from October to early January, when slaughter supplies were increasing seasonally, resulted chiefly from the strong storage demand for hog products during the late fall and early winter.

From February through April, 1937, there was little change in prices, with the Chicago weekly average fluctuating around the \$10 level during most of that period. Ordinarily prices advance in late February and March as slaughter supplies are seasonally reduced. During this period in 1937 the seasonal reduction in supplies was less than usual and in addition the quantity of hog products in storage was much above average. In the last half of May, hog prices advanced sharply, whereas there is usually some decline in that month as marketings of fall pigs increase seasonally. Last May, however, supplies were smaller than in April.

Hog prices last summer reached the highest level in 11 years

A further sharp advance in hog prices occurred in July and in the first half of August as supplies were reduced to the smallest volume in many years. In early August hog prices reached the highest level since 1926. The average price of butcher hogs at Chicago for the second week of August was about \$13, compared with about \$10 in late April before the advance began and about \$11 a year earlier. In the last half of August and in early September, prices of butcher hogs at Chicago declined about \$1.50 per 100 pounds. Part of this decline was regained during the second and third weeks of September, but further weakness developed late in that month, and in October prices declined sharply. The drop in prices from mid-August to late October carried prices of butcher hogs at Chicago to a level slightly below \$9.50.

During the 1936-37 marketing year the average price of \$10.15 paid by packers for hogs was slightly higher than that of 1935-36. Since slaughter supplies in 1936-37 were somewhat larger than in the previous year, the higher average price largely reflected the increase in consumer demand in 1936-37 over that in 1935-36. Total payments by packers for hogs slaughtered under Federal inspection in 1936-37 were about 8 percent larger than those of 1935-36.

Inspected slaughter, live weight, and cost to packers for hogs, average
1928-29 to 1932-33, annual 1933-34 to 1936-37

		Live weight		Cost to packers	
Year beginning	Inspected:			Average per	
Oct.	slaughter:	Average	Total	100 pounds	Total 2/
1/				2/	
<u>Thousands</u>		<u>Pounds</u>	<u>Mil. lbs.</u>	<u>Dollars</u>	<u>Mil. dol.</u>
Average 1928-29	:				
to 1932-33 ...	: 46,363	231	10,723	6.92	742
	:				
1933-34	: 43,911	225	9,872	4.67	401
1934-35	: 30,680	220	6,742	7.75	523
1935-36	: 31,022	232	7,131	9.79	704
1936-37	: 34,142	221	7,538	10.18	767

1/ Bureau of Animal Industry.

2/ Not including processing tax payments November 1933-January 1936.

Prices in 1937-38 expected to be no higher than in 1936-37

As the total live weight of hogs for slaughter in 1937-38 probably will be little different from that of a year earlier and the domestic demand, including consumer demand and storage demand, for hog products may be less favorable, it is expected that hog prices in 1937-38 will average lower than in 1936-37. Seasonal changes in hog prices in the present marketing year, however, are likely to be considerably different from those of last year. With marketings in the first half of the year probably smaller than a year earlier, and also representing a smaller-than-average proportion of the yearly total, it is expected that hog prices in the first half of 1937-38 will be high in relation to those of the last half of the year. This is the reverse of the situation that prevailed in 1936-37.

A large part of the autumn seasonal decline in hog prices apparently had occurred by late October of this year. Although supplies from October through December this year will be considerably smaller than those of a year earlier, they will be seasonally larger than the very small slaughter for the period from July through September. As already indicated, the storage demand for hog products in the late fall and early winter probably will not be so strong as it was a year earlier.

Changes in prices of hogs from month to month after the beginning of 1938 are rather uncertain. Although the seasonal reduction in hog slaughter after January may not be large, prices also will be affected by changes in storage demand and in consumer demand for hog products. Unless consumer demand in the winter and spring weakens more than now appears probable, some seasonal advance in hog prices in the late winter and early spring may be expected. With prospects for considerably larger marketings of hogs next summer than a year earlier, hog prices in that period probably will average lower than the relatively high level of prices last summer.

Production Outlook

Hog production (number of pigs raised) in 1938 is expected to be materially larger than in 1937. This increase will not be reflected in increased slaughter until the end of 1938 and in 1939. The spring pig crop of 1938 probably will be larger than that in any of the preceding 4 years, but will still be considerably below the average of the years from 1920 to 1933. The fall pig crop of 1938 will be larger than that of the fall crop of 1937 unless another severe drought should again cut down corn production in the Corn Belt.

Upward trend in hog production in prospect

If feed-grain production in 1938 and 1939 should be about average a further increase in hog production will occur, but it is expected that, even with favorable crop years, the number of pigs raised will not reach the 1929-33 average level before 1940. Slaughter supplies of hogs under such conditions will not reach average numbers before 1941.

The 1933 pig crop will be smaller than it would have been if the corn crop this year in the western part of the Corn Belt had been of average size. But with corn supplies in Kansas, Nebraska, and South Dakota, very short any considerable increase in the spring pig crop in this area is improbable. These are the States where hog production has been most drastically reduced in the last few years and where the largest increases in production could be expected if feed supplies had made this possible. This situation will tend to retard the recovery in hog production for at least one year, and possibly 2 years.

Regional trends in production

The effects of the drought of 1934 and 1936 on changes in hog production in different sections of the country have been to disrupt the usual proportional distribution of hogs among these areas. The accompanying table shows the combined spring and fall pig crops by regions for the years 1930 to 1937 and the percentage change in numbers from 1930 to 1937. This shows that compared with 1930, practically all the reduction has been in the West North Central and Western States, that numbers in the East North Central are little changed, and that marked increases have taken place in other sections of the country.

Combined spring and fall pig crops by regions, 1930-37

Region	: 1930	: 1931	: 1932	: 1933	: 1934	: 1935	: 1936	: 1937	: 1937 as a percentage of 1930
	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	Percent
E. N. Central	17,881	19,886	21,336	23,022	15,445	15,442	18,163	17,667	98.8
W. N. Central	40,025	44,651	39,487	40,670	25,025	22,515	27,119	23,807	59.5
All N. Central	57,906	64,536	61,323	63,692	40,470	37,957	45,282	41,474	71.6
North Atlantic	1,360	1,367	1,402	1,366	1,153	1,273	1,511	1,613	118.6
South Atlantic	4,577	4,837	5,368	5,256	4,570	4,943	5,660	6,116	133.6
E. S. Central	3,536	3,835	4,387	5,066	3,970	4,196	4,807	4,768	134.8
W. S. Central	3,794	4,972	6,333	5,927	4,540	4,697	5,788	5,261	138.7
Western	2,962	3,578	3,212	2,893	2,053	2,008	2,603	2,520	85.1
United States	74,135	83,176	82,525	84,200	56,766	55,074	65,651	61,752	83.3

Except for 1935, the number of pigs produced in the West North Central States in 1937 was the smallest since the World War, at least. In all sections of this area, hog production has been sharply reduced, and in those sections where the effects of the droughts were especially severe the number of pigs produced in 1937 represents only a small fraction of the number raised in the years prior to 1934. In view of the relative importance of hog production to farming in the western Corn Belt as a whole, it is expected that the number of pigs raised in this area will increase greatly during the next few years if feed supplies are near average.

In the Western States, where income from hog production is of minor importance in total farm income, the decrease in production has been relatively much less than in the western Corn Belt. If hog prices continue fairly high through 1938 it is not improbable that hog production in this area will reach normal proportions sooner than in the western Corn Belt.

In other areas hog production is now relatively large, and even though hog prices continue high and the hog-corn price ratio is favorable for hog production during the next 2 years, further large increases in hog numbers are not to be expected, except possibly in the East North Central States. In these latter States the estimated pig crop for 1937 is about equal to that of 1930 and is only 20 percent smaller than the average for 1932-33, when it was the largest in 10 years. It is hardly to be expected that any increase in the next 2 years will bring the level of production in East North Central region above the 1932-33 average.

In the Southern States the estimated pig crop for 1937 is much above average for this section. The high prices for hogs, the expanded acreage in corn and peanuts and the improved market outlets in many of these States will tend to encourage further expansion in hogs. But this is likely to be of rather moderate proportions for the area as a whole, although rather sharp increases may occur in a few States where drought conditions in 1934 and 1936 greatly reduced production.

It is fairly evident that the region where expansion in hog production will have to take place to bring total United States production back to a fairly normal level is the West North Central States. Although conditions favor a sharp increase next year in Minnesota, Iowa, and Missouri, any increase in Nebraska, Kansas, and South Dakota is likely to be rather moderate.

Long time prospects for hog prices

The return of inspected slaughter to a normal level - 45 or 46 million hogs - by about 1941, assuming fairly normal corn production, probably would result in a level of prices considerably different from that in the present year or in the years 1932 and 1933. If it is assumed that domestic consumer demand in 1941 will be about equal to that of 1937, it is probable that hog prices in 1941 will be lower than in the current year. Prices, however, probably would not be so low as in the years 1932 and 1933 when supplies were about equal to average and domestic consumer demand was much less favorable than in 1937.

If the volume of hog slaughter by about 1941 should equal the average for the years 1925 to 1929, the per-capita production of pork would be considerably smaller than the 1925-29 average because of population increase. Under such supply conditions if domestic per-capita consumption in 1941 were equal to the 1925-29 average, there would be practically no pork available for exports. On the other hand, under those same conditions the supply of lard available would be considerably greater than that needed to furnish domestic per-capita consumption equal to the 1925-29 average. With the possibility of recovering a considerable part of our former volume of lard exports more favorable than for recovering part of the former export trade in pork, the depressing effect of an exportable surplus of lard upon hog prices in this country might not be very great.

